

# REACT

**COMPRISED OF:**  
**A. FINKL & SONS, CO.**  
**AUX SABLE LIQUID PRODUCTS, LP**  
**THE CITY OF CHICAGO**  
**COMMERCE ENERGY, INC.**  
**FLINT HILLS RESOURCES, LP**  
**FUTUREMARK PAPER COMPANY**  
**INTEGRYS ENERGY SERVICES, INC.**  
**INTERSTATE GAS SUPPLY OF ILLINOIS, INC.**  
**THE METROPOLITAN WATER RECLAMATION DISTRICT**  
**OF GREATER CHICAGO**  
**PDV MIDWEST REFINING LLC**  
**UNITED AIRLINES, INC.**  
**WELLS MANUFACTURING, INC.**

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**Commonwealth Edison Company** :  
: **ICC Docket No. 10-0467**  
**Proposed General Increase in Rates.** :

## I.

**Q. Please state your name, title, and business address.**

A. My name is Bradley O. Fults. I am the Managing Principal at Progressive Energy Solutions, LLC, an energy consulting firm that specializes in energy planning, energy pricing, contract negotiations, strategic planning, and other energy matters. My address is 8908 Prestwick Circle, Brooklyn Park, MN 55443.

**Q. On whose behalf are you testifying?**

A. I am testifying on behalf of the Coalition to Request Equitable Allocation of Costs Together (collectively, “REACT”).<sup>1</sup>

<sup>1</sup> The REACT members presently include: A. Finkl & Sons, Co.; Aux Sable Liquid Products, LP; City of Chicago; Commerce Energy, Inc.; Flint Hills Resources, LLC; FutureMark Paper Company; Integrys Energy Services, Inc.; Metropolitan Water Reclamation District of Greater Chicago; PDV Midwest Refining LLC; United Airlines, Inc.; and Wells Manufacturing, Inc. The opinions expressed herein do not necessarily represent the positions of any particular member of REACT.

14 Q. **Have you previously testified in this proceeding?**

15 A. Yes. In this proceeding, I prepared written direct testimony (identified as REACT  
16 Exhibit 1.0C) on behalf of REACT. As explained in my direct testimony, REACT is an  
17 *ad hoc* coalition, with diverse members ranging from: some of the largest of ComEd's  
18 commercial, governmental, and industrial delivery services customers; to Retail Electric  
19 Suppliers ("RES") that are active in the ComEd market; to a company that is  
20 contemplating entering the residential retail electric market in Illinois.

21  
22 The large commercial, governmental, and industrial customer members of REACT are all  
23 considered Extra Large Load class customers, meaning they each have a peak load in  
24 excess of 10,000 kilowatts (10 megawatts, or "10 MW") of electricity, or "Extra Large  
25 High Voltage" class customers (High Voltage customers with over 10 MW of peak load).  
26 The REACT customer members all have peak load demands in excess of 10 MW and  
27 would be significantly impacted by ComEd's proposed rate increases. ComEd continues  
28 to assert that it is entitled to increases in the rates for the over-10 MW customers in the  
29 range of 160% to 171% over the rates approved by the Commission in ICC Docket No.  
30 05-0597. The annual cost impact would range from almost half a million dollars for a 10  
31 MW customer to nearly four million dollars for a 75 MW customer. It has only muted  
32 this increase due to explicit direction that the Commission gave in ComEd 2007 Rate  
33 Case, ICC Docket No. 07-0566, that ComEd only impose a gradual increase in its rates  
34 due to the grave concerns that the Commission had regarding ComEd's rate design.  
35 Unfortunately, rather than remedy the flaws in the rate design, ComEd has continued to  
36 march forward down the path toward massive rate increases for its largest customers.

II.

**PURPOSE OF REBUTTAL TESTIMONY**

**Q. What is the purpose of your rebuttal testimony?**

A. The purpose of my rebuttal testimony is to reiterate to the Commission that ComEd's proposals in this proceeding would improperly allocate a disproportionate level of costs to the largest customers. I will respond to certain assertions made in the rebuttal testimony of ComEd witnesses Mr. Alongi and Dr. Hemphill. In particular, this rebuttal testimony will address the following issues

- Over-10 MW customers and high-voltage customers would experience rate shock if the Commission were to accept ComEd's proposed rate design;
- ComEd's revised rate design, which incorporates its updated distribution loss study and makes some minor corrections, remains fundamentally flawed;
- ComEd's study underling its exemplar Primary Voltage Delivery rate that recognizes that over-10 MW customers use a different subset of ComEd's system than other customers proves that ComEd can provide cost-based rates to the larger classes. However, as REACT witness Harry Terhune testifies, the rate design for Exemplar Primary Service rates remains flawed because it does not accurately reflect cost causation. Short of a study to identify the assets used to serve the over-10 MW class, it is unclear how ComEd will be able to achieve the statutory mandate for its rates to reflect cost causation for the Extra Large Load customer class. Rather than rely upon ComEd's flawed cost study, the Commission should increase the rates for the over-10 MW customers by no more than the system-average increase.
- ComEd's proposal to recover its obligation to pay the Illinois Electricity Distribution Tax on a per kWh fee is unnecessary and contrary to ComEd's proposal to move rates toward a Straight Fixed Variable recovery method.
- ComEd revised its Distribution Loss Factor study in a way that significantly lowered the loss factor for high-voltage customers. REACT applauds the revision, not only because it results in a more accurate allocation for high-voltage customers, but also because the process by which the reduction was realized demonstrates precisely the reason ComEd should be ordered to update its study annually.

70

71 **Q. Is REACT sponsoring other rebuttal testimony?**

72 A. Yes. In addition to my own rebuttal testimony, REACT is sponsoring the rebuttal  
73 testimony of REACT witnesses Jeffrey Merola (REACT Ex. 5.0) and Harry L. Terhune  
74 (REACT Ex. 6.0). Both Mr. Merola and Mr. Terhune provided direct testimony in this  
75 proceeding. (See REACT Exs. 2.0 and 3.0C.)

76

77 Mr. Merola's rebuttal testimony addresses issues associated with ComEd's inaccurate  
78 allocation of Customer Care Costs. ComEd's proposed increase in its delivery services  
79 rates improperly allocates costs related to the *procurement* of energy to the *delivery*  
80 *services* rates of ComEd's customers, including Residential and Small Commercial  
81 customers. As detailed in Mr. Merola's testimony (REACT Exs. 2.0, 5.0), the proposal is  
82 not only unfair to individual customers who obtain their electric supply from a RES, but  
83 also would impede the development of the competitive market for small commercial and  
84 residential customers because RESs would be forced to compete against an artificially  
85 deflated ComEd supply rate. From REACT's perspective, fairness, the impact on the  
86 competitive market, and sound regulatory policy dictate that it is ComEd's supply  
87 customers who should be asked to pay for the costs associated with their procurement.

88

89 Mr. Terhune's rebuttal testimony addresses issues related to improper allocation of costs  
90 to the Extra Large Load class. As Mr. Terhune explains, ComEd has, without  
91 justification, allocated substantial costs to the Extra Large Load customer class that the  
92 class had little or no role in causing. ComEd has the ability to much more accurately

identify the costs that the Extra Large Load customer class did cause, and it should be required to perform that analysis.

### III.

#### **COMED'S REVISED PROPOSED DISTRIBUTION RATES STILL WOULD HAVE A MASSIVE, DISPROPORTIONATE IMPACT UPON THE EXTRA LARGE OVER-10 MW CUSTOMER CLASS**

**Q. Is it necessary to review ComEd's 2007 Rate Case in order to put ComEd's current proposed distribution rate increase in perspective?**

**A.** Yes. In order to put ComEd's current rate increase request in proper perspective, it is necessary to keep in mind the proposal that ComEd made in its 2007 Rate Case (ICC Docket No. 07-0566), and the Commission's response. As explained in my direct testimony, in ComEd's 2007 Rate Case, ComEd proposed an overall **129.4% increase in rates** for the High Voltage Delivery Class (over-10 MW) customers and an overall **140.4% increase** for the Extra Large Delivery Class (over-10 MW) customers. (See REACT Ex. 1.0C at 21:533-537.)

The Commission recognized the significant concern of REACT and other intervenors in that case, and strongly criticized ComEd's proposed ECOSS as a basis for setting rates, but nevertheless authorized rates based roughly on the ECOSS, with a 25% movement towards rates based upon the flawed ECOSS for the Extra Large Load, High Voltage, and Railroad delivery services classes.

**Q. What would have been the impact of the rate design that ComEd initially proposed in this case?**

A. As I explained in my direct testimony, ComEd is proposing to move rates for Extra Large and High-Voltage customers an additional 25% towards rates based upon its ECOSS. This means that if the Commission were to approve ComEd's request here, ComEd essentially would have moved 50% towards the massive rate increases it proposed in Docket 07-0566, having made little change to the ECOSS that the Commission found deficient. (*See* REACT Ex. 1.0C at 21:539-541.) Based on rates filed by ComEd in its initial June 30, 2010 filing, for over-10 MW customers, rates would increase by 76.8% when compared with rates authorized in ComEd's 2005 Rate Case, ICC Docket No. 05-0597. (REACT Ex. 1.0 at 23:569-585). For over 10-MW High-Voltage customers, the increase would be in the 29.9% to 47.6% range when compared with rates authorized in ComEd's 2005 Rate Case, ICC Docket No. 05-0597. (REACT Ex. 1.0C at 24:597-604 (Table 2).)

**Q. Has ComEd revised the rates it initially filed on June 30, 2010?**

A. Yes. ComEd witness Mr. Alongi in his rebuttal testimony (ComEd Ex. 49.0 at 5:110-117) explains that ComEd has revised its proposed rate design to reflect ComEd's updated distribution loss study and incorporate some "minor corrections that were identified through the discovery process." (*Id.* at 5:114-115)



**Q. Have you reviewed ComEd's revised proposed rates to ascertain the dollar impact of ComEd's overall revised proposed increase in rates for the Extra Large over-10 MW customers?**

A. Yes. Table 1 below compares the annual distribution charges and increases for various size customers in the Extra Large Load class. The comparison shows annual costs using distribution rates approved in ICC Docket Nos. 05-0597 and 07-0566. These results show that the annual cost impact of ComEd's revised proposed rates contained in ComEd's *rebuttal testimony* over rates approved in Docket No. 05-0597 would range from \$228,720 (for customers with a demand of 10 MW) to \$1,874,126 (for customers with a demand of 75 MW). On a percentage increase basis, the revised proposed rates would increase by over 75.2% for all Extra Large Load customers when compared with rates authorized in ComEd's 2005 Rate Case. These proposed rate increases are just slightly lower than the increases reflected in Table 1 of my direct testimony. (*See* REACT Ex. 1.0C at 23:578-585). ComEd's proposed rebuttal testimony rate increases over rates approved in ComEd's 2007 Rate Case range from 32.1% to 38.3%, depending on customer size.

**Table 1**  
**Impact of Proposed Rebuttal Distribution Charges for**  
**Extra Large Over 10 MW Customers**

	Annual Electric Costs				ICC Docket No. 10-0467 Proposed Rebuttal Rate Increase		% Increase	
	Final Orders		Proposed	Rebuttal	Over Final Orders		Final Order Costs	
	<u>05-0597</u>	<u>07-0566</u>	<u>10-0467</u>	<u>10-0467</u>	<u>05-0597</u>	<u>07-0566</u>	<u>05-0597</u>	<u>07-0566</u>
10 MW	\$304,221	\$403,477	\$537,956	\$532,940	\$228,720	\$129,464	75.2%	32.1%
20 MW	\$599,421	\$797,077	\$1,085,341	\$1,075,525	\$476,104	\$278,448	79.4%	34.9%
35 MW	\$1,042,221	\$1,387,477	\$1,909,090	\$1,892,074	\$849,853	\$504,597	81.5%	36.4%
50 MW	\$1,485,021	\$1,977,877	\$2,748,870	\$2,724,654	\$1,239,633	\$746,777	83.5%	37.8%
75 MW	\$2,223,021	\$2,961,877	\$4,133,362	\$4,097,147	\$1,874,126	\$1,135,270	84.3%	38.3%

Annual costs calculated by multiplying customer and metering charges x 12, plus monthly kW x 12 months x \$/kW distribution facilities charge, plus IL Electricity Distribution tax per kWh by annual kWh. (See ComEd Ex. 49.1; 2nd Revised Sheet No. 369.)

It is also important to note that ComEd's proposed rates reflect only a 50%<sup>2</sup> movement towards rates based upon ComEd's flawed ECOSS. ComEd continues to assert that it believes that the Commission should rely upon its flawed ECOSS as the basis for allocating costs, despite the continued criticisms of the underlying assumptions and methodology. Thus, if the Commission had not mandated the somewhat more gradual imposition of rate increases to Extra Large customers in ICC Docket No. 07-0566, the increase over rates approved in ICC Docket No. 05-0597 would be 160% for a 10 MW customer and 171% for a 75 MW customer. The annual cost impact would range from \$485,520 for a 10 MW customer to \$3.8 Million for a 75 MW customer. I derived those figures using ICC Docket No. 05-0597 rates compared to ECOSS based rates in ComEd Ex. 49.1.

**Q Have you been able to ascertain the dollar impact of ComEd’s rebuttal testimony distribution service charges proposal for the High-Voltage over-10 MW customers?**

A. Yes. Table 2 below compares the annual distribution charges and increases for various size customers in the High-Voltage over-10 MW class based on rates in ComEd Exhibit 49.1. The results show that the annual cost impact of ComEd’s proposed rates over rates approved in ICC Docket No. 05-0597 would range from \$39,214 (for customers with a demand of 10 MW) to \$460,020 (for customers with a demand of 75 MW). On a percentage increase basis, the rates will increase by over 29.0% for all High-Voltage over-10 MW customers, ranging up to 46.7% for the largest customers. Again, it is also important to note that these rates only reflect an additional 25% movement towards ComEd’s ECOSS based-rates. ComEd moved rates 25% towards ECOSS based rates in ICC Docket No. 07-0566. If the Commission had not mandated the somewhat more gradual imposition of rate increases to over 10-MW high-voltage customers in ICC No. Docket 07-0566, the increase over rates approved in 05-0597 would be 53% for a 10 MW customer and 71% for a 75 MW customer. (See ICC Docket No. 05-0597 rates compared to ECOSS based rates in ComEd Ex. 49.1.)

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<sup>2</sup> ComEd moved rates 25% toward ECOSS based rates in ICC Docket No. 07-0566 and is proposing an additional 25% in this proceeding.

**Table 2**  
**Impact of Proposed Rebuttal Distribution Charges for**  
**High-Voltage Over 10 MW Customers**

	Annual Electric Costs				ICC Docket No. 10-0467 Proposed Rebuttal Rate Increase Over		% Increase	
	Final Orders		Proposed	Rebuttal	Final Orders		Final Order Costs	
	<u>05-0597</u>	<u>07-0566</u>	<u>10-0467</u>	<u>10-0467</u>	<u>05-0597</u>	<u>07-0566</u>	<u>05-0597</u>	<u>07-0566</u>
10 MW	\$135,440	\$165,125	\$175,977	\$174,654	\$39,214	\$9,529	29.0%	5.8%
20 MW	\$266,240	\$324,725	\$366,962	\$364,439	\$98,199	\$39,714	36.9%	12.2%
35 MW	\$462,440	\$564,125	\$656,111	\$651,788	\$189,348	\$87,663	40.9%	15.5%
50 MW	\$658,640	\$803,525	\$961,291	\$955,168	\$296,528	\$151,643	45.0%	18.9%
75 MW	\$985,640	\$1,202,525	\$1,454,783	\$1,445,661	\$460,020	\$243,136	46.7%	20.2%

Annual costs calculated by multiplying customer and metering charges x 12, plus monthly kW x 12 months x \$/kW distribution facilities charge, plus IL Electricity Distribution tax per kWh by annual kWh. (See ComEd Ex. 49.1; 2nd Revised Sheet No. 369.)

**Q. What do the above rate increases for over 10-MW Extra Large and High Voltage Customers show?**

**A.** The modifications made by ComEd in its rebuttal testimony result in minor changes to the overall rate impact for the Extra Large Load customers. Those slight modifications do not give any material relief to Extra Large Load customers, a result that is unsurprising given that the primary flaws in ComEd's ECOSS (as identified by, for example, Mr. Terhune in this proceeding and REACT witness Edward C. Bodmer in ICC Docket No. 07-0566). Even with the slight rate decreases proposed by ComEd in its rebuttal testimony, Extra Large Load customers are unfairly and disproportionately impacted by ComEd's proposed rate increase; it still would be a clear error to rely upon ComEd's ECOSS to set rates.

208 **Q. How do Tables 1 and 2 above demonstrate the flaws in the ECOSS?**

209 A. The massive, unjustified rate increases themselves show that the ECOSS is flawed in two  
 210 ways. First, the magnitude of the increases that would result from using ComEd's  
 211 revised proposed rates over the rates approved by the Commission in ComEd's 2005 Rate  
 212 Case show that ComEd has wildly deviated from its previously-approved cost of service  
 213 methodology, clearly to the detriment of its largest customers. Second, the massive  
 214 increases -- in the absence of proportionate enhancements in service for the over-10 MW  
 215 class or a demonstrated increase in the cost of serving that class -- show that the over-10  
 216 MW class is being allocated costs that it did not cause. These underlying flaws would  
 217 have enormous rate ramifications for the largest customers in the ComEd service area.

218

219 **Q. ComEd witness Dr. Hemphill testifies that the rates increases are justified and that**  
 220 **gradualism eliminates rate shock. How do you respond?**

221 A. To be clear, ComEd is not retreating from the massive, unjustified rate increases that it  
 222 sought in the 2007 Rate Case. Thus, although Dr. Hemphill may be theoretically correct  
 223 that gradualism in phasing-in ComEd's proposed mammoth rate increases may lower the  
 224 immediate cost impact, that point is a diversion from the primary issue, which is whether  
 225 ComEd's proposed level of rate increase for the over-10 MW customers has been  
 226 justified. To be clear: it has not. Attempted mitigation through a phase-in cannot itself  
 227 justify an otherwise unjustified rate increase. (See REACT Ex. 1.8 at 4:64-76.)

228

229 In the context of severely criticizing ComEd's ECOSS in Docket No. 07-0566, and  
 230 initiating a special investigation (ICC Docket No. 08-0532) for the purpose of requiring

ComEd to produce evidence that should have been provided in ComEd’s 2007 Rate Case, the Commission ordered a limited increase in the rates to ComEd’s largest customers. The substantial flaws that previously existed in the ECOSS still remain, and have nothing to do with how gradually ComEd increases its rates. (*See, e.g.*, REACT Ex. 1.0C at 12:264-20:521, 22:545-554, 25:616-26:630; REACT Ex. 3.0C at 18:443-20:478, 23:563-27:657; *see also* REACT Ex. 1.2-1.8 (testimony of Bradley O. Fults from 2007 Rate Case and 2008 Special Investigation Proceeding; testimony of Edward C. Bodmer from 2007 Rate Case).) For ComEd to continue to describe its massive proposed increases as movement toward “cost-based” rates is intellectually dishonest, because ComEd has failed to establish the costs of the assets used to serve the over-10 MW customers, despite the repeated attempts by REACT to obtain this information.

Further, contrary to ComEd’s implication, rate shock does not necessarily have to be experienced immediately; rate shock can also occur as a result of multiple increases over a period of time. That is precisely what ComEd has proposed here: that the Commission take the extraordinary step of pre-approving multiple rate increases that cumulatively would result in more than doubling the largest customers’ delivery services rates.

The massive, disproportionate, unjustified rate increases proposed for ComEd’s largest customers constitute rate shock on any reasonable scale.

**Q. Should the Commission be concerned about the message it would send to the largest customers in Northern Illinois if it were to accept ComEd's proposed "gradual" increase?**

A. Absolutely. The Commission should take into consideration the signal it would be sending to the largest users of electricity -- those presently located in Illinois, and those considering locating facilities here -- if it continues down the path suggested by ComEd of consistently imposing increases of at least 30% upon these extra large customers every time ComEd applies for a rate increase. Such a message would be particularly troubling, because at the core of ComEd's requested parade of increases is a ComEd ECOSS that continues to be soundly criticized as having no basis in reality as it applies to the largest customers. As the Commission itself has found "the ECOSS fails in several respects to properly allocate significant costs to cost causers and to correctly measure the cost of service to various classes and subclasses." (ICC Docket No. 07-0566, Final Order dated September 10, 2008, at 213.)

The movement toward ECOSS continue to raise the question that Mr. Bodmer raised in 2007: what did the Extra Large Load customers do to justify such a massive, disproportionate rate increase? (REACT Ex. 1.7, at 7:126-19:393.) Two cases, and several years later, ComEd still has not answered that straightforward question. Until it does so, the Commission ought not to approve rate increases that disproportionately impact the largest energy users (who are also the largest employers) in northern Illinois.

IV.

**THE COMED EMBEDDED COST OF SERVICE STUDY AND PRIMARY  
SECONDARY ANALYSIS REMAINS PROBLEMATIC FOR SETTING RATES**

**Q Did ComEd file revised Exemplar rates in its rebuttal testimony?**

A. Yes. In his rebuttal testimony, ComEd witness Mr. Alongi explained ComEd's Exemplar rates based on revisions to its primary/secondary analysis. The revised analysis incorporated changes to reflect ComEd's updated distribution loss study and allocation of certain primary and secondary costs raised by intervenors. (*See* ComEd Ex. 49.0 at 5:120-6:136.)

**Q. What other changes in Exemplar rates is ComEd proposing in its Rebuttal Testimony?**

A. Mr. Alongi explained that ComEd recognized that its Exemplar Primary Voltage Delivery rate does not provide separate rates for over-10 MW customers. (*See* ComEd Ex. 49.0 at 5:120-6:140.) The Exemplar Primary Voltage Delivery rates as shown in ComEd Exhibits 49.2 and 49.3 contain separate voltage and transformers charges for Extra Large over-10 MW customers. (*See Id.*) The difference between Exhibits 49.2 and 49.3 is that in Exhibit 49.2, ComEd provides a single Primary Service rate with distribution charges for over-10 MW customers and distribution charges for all other below-10 MW customers taking service above 4 kV. In Exhibit 49.3, ComEd is showing primary and secondary voltage subclasses for each non-residential customer class (*e.g.*, all over 100 kW size customers).



**Q. What would be the impact to Extra Large over-10 MW customers if they were served under the over 10-MW Exemplar Primary Service rate?**

A. The following Table 3 shows that Extra Large over-10 MW customers receiving service under the Exemplar Primary Service rate (Ex. 49.2 Primary Service rates) would continue to see large rate increases over rates approved in Docket No. 05-0597. The annual increases range from \$186,858 for a 10 MW customer to \$1.6 Million for a 75 MW size customer. The respective percentage increases are 61.4% to 72.6%. The added percentage over rates approved in Docket No. 07-0566 would be in the range of 21.7% to 29.5%, respectively, because ComEd has only moved these rates partially towards the total amount it seeks based upon its flawed ECOSS. The percentage increases over rates approved in Docket No. 05-0597 would be 124% for 10 MW customer and 137% for a 75 MW customer if ComEd did not limit the rate increase with a 25% movement towards its flawed ECOSS. I derived these numbers by comparing ICC Docket No. 05-0597 rates with ECOSS based rates in ComEd Ex. 49.2.

**Table 3.**  
**Annual Costs for Extra Large Over-10 MW Customers Receiving Service Under Exemplar Price Service Rate**

	Annual Electric Costs				Rebuttal Exemplar Increase Over Final Order Rates		% Increase Over Final Order Costs	
	Final Orders		Exemplar Primary	Rebuttal Exemplar Primary > 10 MW	(> 10 MW Primary)			
	05-0597	07-0566			05-0597	07-0566	05-0597	07-0566
10 MW	\$304,221	\$403,477	\$652,216	\$491,078	\$186,858	\$87,602	61.4%	21.7%
20 MW	\$599,421	\$797,077	\$1,322,001	\$1,000,063	\$400,642	\$202,986	66.8%	25.5%
35 MW	\$1,042,221	\$1,387,477	\$2,329,350	\$1,766,212	\$723,991	\$378,735	69.5%	27.3%
50 MW	\$1,485,021	\$1,977,877	\$3,352,730	\$2,548,392	\$1,063,371	\$570,515	71.6%	28.8%
75 MW	\$2,223,021	\$2,961,877	\$5,043,222	\$3,836,885	\$1,613,864	\$875,008	72.6%	29.5%

Annual cost calculated by multiplying customer and metering charges x 12, plus monthly kW x 12 months x \$/kW distribution facilities charge, plus IL Electricity Distribution tax per kWh

by annual kWh. (See ComEd Ex. 49.2, ComEd Ex. 16.0R, Table D3; ComEd Ex. 21.0R Table SD4; 2nd Revised Sheet No. 369.)

**Q. What do you conclude from this customer impact analysis?**

A. As explained in my direct testimony, the method for allocating costs among classes in ComEd's Exemplar rates continues to be flawed, and would result in massive, unjustified, disproportionate increase to the Extra Large Load class. (See, e.g., REACT Ex. 1.0C at 12:264-13:277; ComEd Ex. 16.0R at 23:430-24:437 (providing comparison of increases for different classes).) REACT witness Mr. Terhune provides additional detail in his Direct and Rebuttal testimony regarding the underlying flaws.

**Q. What observations do you have regarding Exemplar rates that include primary service rates for each customer class?**

A. ComEd's attempt to implement a primary service rate is, in theory, a positive development. However, as Mr. Terhune points out, the rate ComEd has calculated is not justified based on facts about the facilities that ComEd actually uses to serve Extra Large Load customers. This development highlights a point that REACT has made repeatedly since ICC Docket No. 07-0566: ComEd must develop rates based on verifiable data about the actual costs associated with serving the Extra Large Load customer class. Based on my experience working with end-use customers and the analysis and conclusions of Mr. Terhune, it would be appropriate for the Commission to direct ComEd to conduct a survey of the assets used to serve the over-10 MW class and design cost-based rates for the class based on the results of that survey.

V.

**THE ILLINOIS ELECTRICITY DISTRIBUTION TAX  
SHOULD BE CONSIDERED A DISTRIBUTION COST AND SHOULD BE  
APPROPRIATELY RECOVERED IN THE DISTRIBUTION FACILITIES CHARGE**

**Q. In your direct testimony, you recommended that the Commission reject ComEd's proposed line item charge to collect the Illinois Electricity Distribution Tax. How did ComEd respond to your recommendation?**

A. ComEd witness Mr. Alongi supports ComEd's proposal for a line item surcharge by citing the most recent Ameren Illinois Utilities ("AIU") rate case and potential for intraclass subsidies if the tax is included in the facilities charge. (See ComEd Ex. 49.0 at 17:391-18:426)

**Q. Does the AIU case require ComEd to recover the IEDT on a per kWh fee?**

A. Although I am not a lawyer, my understanding is that the Commission is not bound by a ruling it makes in another case based on different circumstances and has the authority to decline to approve ComEd's proposed change and to require ComEd to continue recovering the IEDT as part of the DFC as it has in the past. I also understand that this issue still may be litigated further in the AIU case. The IEDT has historically been collected in the DFC, and I am unaware of any ruling that requires ComEd to recover it on a per kWh fee. This proposal appears to be an internal decision by ComEd for its own convenience.

**Q. How should the IEDT be recovered?**

A. The IEDT should be viewed as a delivery related cost and appropriately recovered in the Distribution Facilities Charge ("DFC"). ComEd has historically recovered distribution

related costs in the customer, metering, and DFC. Under ComEd's current rate design, all distribution related costs are included in the DFC. If the IEDT is truly a tax based on utility infrastructure, even though it is assessed on a per kWh fee to the utility, then it is appropriate to include the costs in the DFC.

**Q. What is your position on IIEC witness Mr. Stephens' rationale for keeping IEDT as part of the DFC?**

A. Based on my review of portions of Mr. Stephens' testimony (IIEC Ex. 2.0 at 10:253-12:290, 19:448-26:605), I agree with Mr. Stephens' bases for maintaining the status quo.

## VI.

### **THE DISTRIBUTION LOSS FACTORS SHOULD BE UPDATED ANNUALLY**

**Q. In your direct testimony you recommended that ComEd's changes to distribution loss factors ("DLF") be rejected and that ComEd update distribution losses annually. How did ComEd respond?**

A. First, ComEd provided an updated DLF study that corrected errors contained in its initial DLF study filed in the proceeding. The revisions to the DLF study were discussed by ComEd witness Mr. Born (see ComEd Ex. 34.0). Based on this updated study, ComEd witness Mr. Alongi updated DLFs (see ComEd Ex. 49.9). A comparison of historical, current, and proposed DFLs is shown in Table 4.

**Table 4**  
**Distribution Loss Factors -- Non-Residential**

<u>Customer Class</u>	<u>05-0597</u>	<u>07-0566</u>	<u>Docket 10-0467</u>	
			<u>Proposed</u>	<u>Rebuttal</u>
Small	7.19%	7.52%	7.70%	7.56%
Medium	6.17%	6.40%	6.73%	7.32%

Large	5.57%	6.08%	6.32%	6.81%
Very Large	5.07%	5.81%	5.91%	5.90%
Extra Large	5.07%	5.83%	5.87%	5.85%
High-Voltage (>10 MW)	1.35%	1.83%	1.93%	1.04%
High-Voltage (<10 MW)	1.35%	2.28%	2.33%	1.11%
System Average	6.49%	6.48%	6.74%	6.74%

Source: ComEd Ex. 49.10, ComEd Ex. 16.19R; 1st and 3rd Revised Sheet No. 378

Although the results shown in Table 4 show no change to the overall proposed system average DLF of 6.74% between Mr. Alongi's revised direct testimony and his rebuttal testimony, there is a significant decrease in the DFL for the high voltage customers. This verifies exactly the concern raised in my direct testimony, as well as in my testimony filed in ICC Docket No. 07-0566 regarding the large percentage increases for the high-voltage customers. Table 4 in my direct testimony in the present case (*see* Ex. 1.0C at 32) showed proposed increases since 2007 of 42.96% for over-10 MW high voltage customers and 72.59% for less than 10-MW high voltage customers. Now, after correcting errors in its DLF study, the proposed large increase since 2007 are actually decreases of -23% and -18% for over 10-MW and less than 10-MW high voltage customers, respectively.

**Q. What is the impact of ComEd's proposed revision to its DLF for high-voltage customers?**

A. The following Table 5 shows that potential dollar impact for high voltage customers of various sizes between current DLF and revised DLF (*see* ComEd Ex. 49.9). While the change actually lowers the costs for high-voltage customers, it begs the question of whether these customers are currently being assessed the correct DLF. The DLF was

increased from 1.35% to 1.83% in Docket No. 07-0566. It further supports my recommendation that ComEd should be required to file updated DLF annually.

**Table 5**

Assumed		High Voltage		Difference
<u>kW</u>	<u>Annual kWh</u>	<u>DFL = 1.83%</u>	<u>DFL = 1.04%</u>	
10,000	61,320,000	\$47,339	\$25,509	\$21,830
20,000	140,160,000	\$108,204	\$58,307	\$49,897
35,000	260,610,000	\$201,191	\$108,414	\$92,777
50,000	394,200,000	\$304,322	\$163,987	\$140,335
75,000	604,440,000	\$466,628	\$251,447	\$215,181

Annual kWh x loss factor x 4.0¢ per kWh.

**Q. ComEd witness Mr. Alongi stated in his testimony that updating the DLF annually is difficult and may affect the entire wholesale energy/PJM market. (See ComEd Ex. 49.0 at 50:1134-1147.) How do you respond?**

**A.** It appears that Mr. Alongi misunderstood my proposal. My recommendation is that ComEd review its own *distribution* loss factors, not necessarily loss factors that apply to transmission on the PJM system or FERC-jurisdictional loss factors. My understanding is that these PJM transmission losses are separately collected and assessed by PJM. Retail Electric Suppliers providing service to customers using ComEd's system separately account for PJM losses in addition to ComEd distribution losses.

**Q. What is your recommendation?**

**A.** The Commission should require ComEd to update its DLF study annually, and correspondingly adjust the DLF each year.

VII.

**CONCLUSION AND RECOMMENDATIONS**

**Q. Please summarize your overall conclusions and recommendations.**

A. Although the members of REACT understand that ComEd's costs to provide service might increase over time, it is essential that the Commission appropriately allocate those costs consistent with cost-causation principles. Unfortunately, ComEd again has failed to provide the information necessary to be able to set cost-based rates for the over-10 MW customer classes. My conclusions and recommendations can be summarized as follows:

- ComEd's embedded cost-of-service study continues to suffer the same deficiencies identified in the 2007 Rate Case and the 2008 Special Investigation Proceeding; the ECOSS simply does not justify ComEd's proposed disproportionate, exorbitant rate increase for customers with demands exceeding 10 MW.
- The Commission should compel ComEd to identify the assets used to serve the over-10 MW customer classes. As Mr. Terhune explains, ComEd's ECOSS does not accurately allocated substantial costs, and ComEd has the ability to much more accurately identify the costs these customer classes did cause. (REACT Exs. 3.0C and 6.0.) The Commission should direct ComEd to immediately perform a comprehensive analysis, using a statistically valid sampling methodology and reasonable assumptions as appropriate, to determine the actual assets used to serve these customer classes. The results of the study should be developed on a transparent basis, and submitted to all interested parties prior to ComEd's next rate case being filed.
- In the absence of a valid cost-of-service study, the Commission should assign no more than a system-average increase in rates to the over-10 MW classes. This would be consistent with the methodology used by the Commission when it rejected the application of the ECOSS to the over-10 MW classes in the 2005 ComEd Rate Case. (See ICC Docket No. 05-0597, July 26, 2006 Order at 196.)
- ComEd's proposal to recover its obligation to pay the Illinois Electricity Distribution Tax on a per kWh fee should be rejected. This change is unnecessary, adds confusion and is contrary ComEd's proposal to move rates toward a Straight Fixed Variable recovery method.
- The Commission should order ComEd to annually revise its DFLs. ComEd updated its customer distribution line losses since filing its rate increase proposal on June 30, 2010. This revision substantially lowered the DLF for high voltage

460 customers. ComEd should be ordered to annually file updated DFLs to improve  
461 their accuracy.

462 • ComEd's proposed increase in its delivery services rates improperly allocates  
463 costs related to the *procurement* of energy to the *delivery services* rates of  
464 ComEd's Residential and Small Commercial customers. As detailed in the  
465 testimony of Mr. Merola (REACT Exs. 2.0, 5.0), fairness, the impact on the  
466 competitive market, and sound regulatory policy dictate that ComEd's supply  
467 customers should pay for the costs associated with procurement of their supply of  
468 electricity.

469

470 **Q. Does this conclude your Rebuttal Testimony?**

471 A. Yes.